



TEXAS TODAY

“As the eighth-largest economy among the nations of the world, Texas is an economic and innovation powerhouse, offering unmatched opportunities for families and businesses to grow and succeed.” – Governor Greg Abbott

Texas has long been known for its pioneering spirit, which has guided our state from a sparsely populated territory rich in resources to a large, diverse, and vibrant economy on par with some of the largest nations in the world. Today, we are well-positioned to harness the momentum of recent years and continue to grow our economy. However, to determine where we are going, we must first understand where we are. *Texas Today* paints a picture of our state’s current economy, identifying our economic strengths and areas of opportunity.

The current state of our economy is strong due to our diverse network of businesses, skilled and nimble workforce, robust innovation and entrepreneurship landscape, and connected infrastructure. The following section explores the current state of Texas’ economy through the following four lenses:

1. **Business and Industry**
2. **Innovation and Entrepreneurship**
3. **Workforce**
4. **Infrastructure**

BUSINESS AND INDUSTRY

From small startups to multinational corporate headquarters, our growing network of businesses and industries form the foundation of our economy, creating jobs for hardworking Texans, providing essential goods and services, and bringing investment into our state.

There is a reason so many people choose to live and do business here: Texas is one of the most business-friendly climates in the world due to our predictable regulatory environment, diverse workforce, access to global markets, and entrepreneurial spirit. Texas' network of companies represents all stages of the supply chain, from raw materials to advanced electronics, technical services, and corporate operations. Business and industry growth has fueled Texas' position on the international stage, and we are ready to forge onward.

You can find everything in Texas.

Businesses and industries in Texas are highly diversified — producing a wide range of goods and services that are critical to both domestic and international markets.

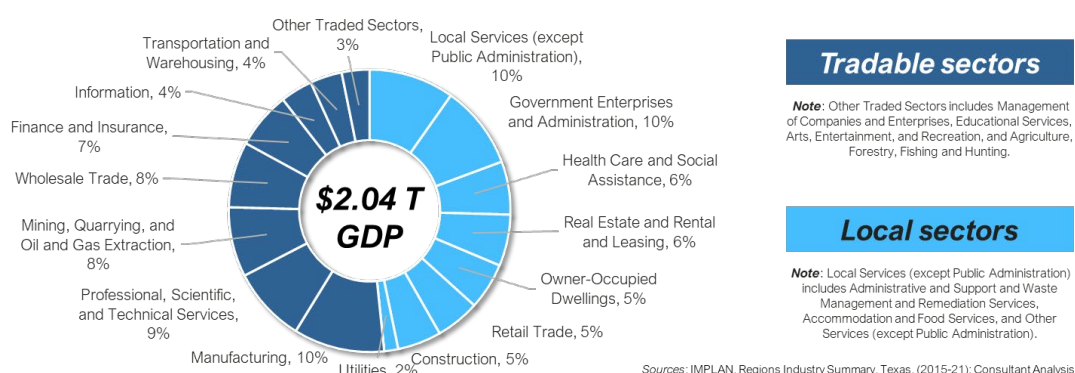
Our state has long been a land of bounty. During early statehood, Texas' economy was driven by abundant natural resources, including agricultural and livestock products and raw materials like timber. Oil discoveries during the late 19th and early 20th centuries transformed the economic landscape of Texas. As a result, our state is known around the globe as a major energy producer.

But that's not where our story ends. The 20th century brought major changes to our industrial base, including advancement of our production and technology capabilities and the development of transportation hubs connecting our nation's roadways, railways, waterways, and airways. Over the last one hundred years, Texas has transformed

from a relatively specialized economy producing mainly primary goods to an advanced economy with diversified strengths across a wide variety of industries.

As shown in Figure 3 below, no single industry sector in our economy currently generates more than 10 percent of total Gross Domestic Product (GDP). We have a strong base of tradable sectors (i.e., sectors that produce goods and services sold and consumed outside of Texas), which drive international competitiveness, and local sectors, which offer services that serve our regional economies. Our tradable sectors encompass a variety of industries, including manufacturing, professional services, energy and mining, and information technology. Our local sectors are primarily service-based and include healthcare, real estate, construction, and more. Texas is home to a diverse economy that produces a wide range of both tradable and local products and services.

Figure 3. Industry Contribution to GDP, 2021⁶



Texas' industries are globally significant.

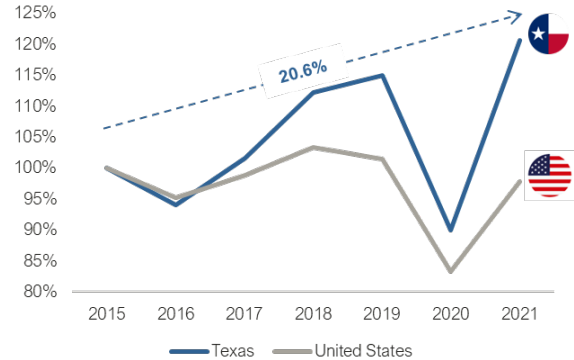
Over the past two decades, Texas' businesses and industries have emerged as a competitive force in the global economy.

The expansion and evolution of Texas' economy has continued through the 21st century. Our state has experienced impressive growth in foreign exports, earning us the title of top exporting state in the nation every year since 2002.⁷ The last two decades of economic progress and international trade have propelled Texas onto the global stage.

Our economy is becoming increasingly driven by growth in high-export sectors, which are industry sectors that bring money into the Texas economy from outside the state through domestic and international trade. These sectors are critical to achieving high levels of economic performance, as they bring jobs and investment into the state.

As shown in Figure 4 at right, Texas' foreign export growth has outpaced that of the U.S. from 2015 to 2021. Our high-export sectors generated over \$240 billion in foreign exports in 2021, which represents a 20.6 percent increase from 2015.⁸ This accelerated growth indicates that Texas is an even stronger global player, competing with other economies at the highest level.

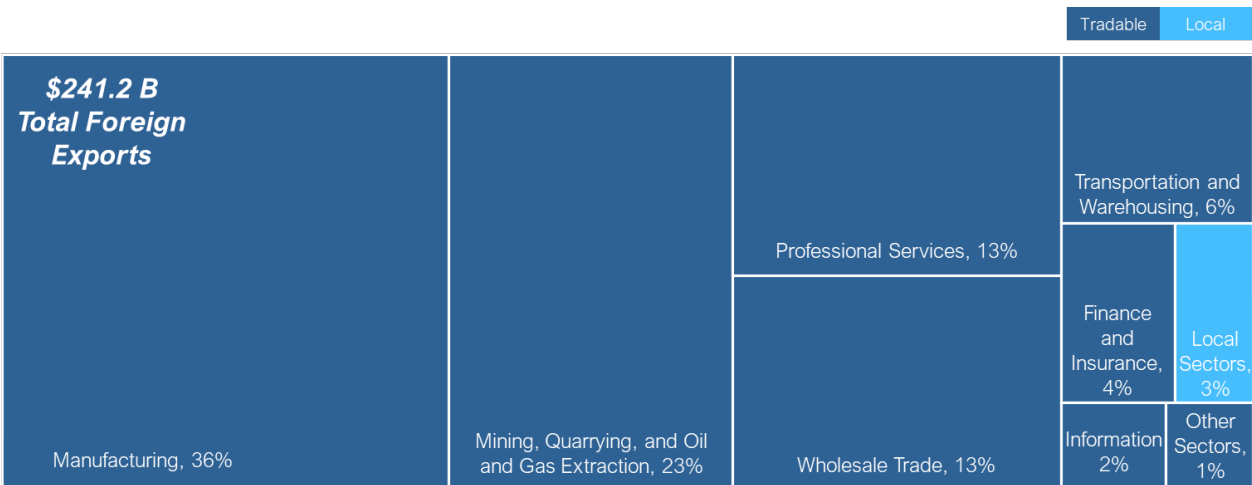
Figure 4. Foreign Exports Relative to 2015⁹



Sources: IMPLAN, Regions Industry Data, Texas and US, (2015-21); Consultant Analysis

Texas is a critical player in the global economy, providing essential commodities like semiconductors, petroleum products, chemicals, aerospace parts, heavy machinery, computer equipment, and more to both domestic and foreign markets. Figure 5 shows our state's top sectors by foreign exports, including manufacturing, oil and gas, professional services, and wholesale trade. These high-export sectors are a major driver of economic growth and competitiveness for Texas. Our local sectors also contribute to our foreign exports, through the provision of services such as transportation. The transformation from a primarily agricultural economy to an advanced, diversified economy over the last century has resulted in Texas becoming a key player in a wide variety of multinational industries.

Figure 5. Foreign Exports, 2021¹⁰



Sources: IMPLAN, Regions Industry Institution Demand, Texas, (2015-21); Consultant Analysis



Texas is well-positioned for strong and continued economic growth.

Our state has transformed into a global economic powerhouse in the last few decades. This evolution is driven by our state's unique traits, which will continue to propel the growth of our businesses and industries for years to come.

Texas has long led the nation in population growth and foreign exports. The notable expansion and transformation of Texas' businesses and industries in recent years is a direct result of our state's unmatched advantages.

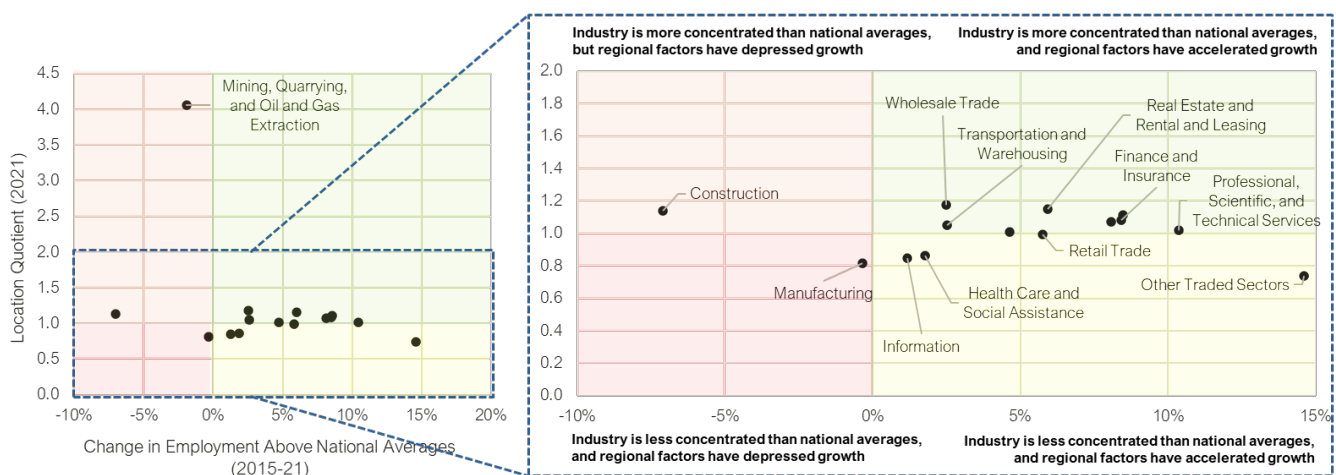
Figure 6 below features a chart depicting the regional competitive effect for Texas, or what percent of industry employment growth can be attributed to unique regional characteristics such as policy, geography, demographics, and natural resources versus national industry trends. Texas' regional competitive advantages drive growth in over two-thirds of major industry sectors, showing

that our state's growth is attributable not just to national trends, but also because of our state's distinctive economic climate, workforce, regulatory landscape, and infrastructure.

Texas has a unique opportunity to accelerate growth across a wide variety of industries, including advanced manufacturing, semiconductor design and manufacturing, artificial intelligence (AI) and information technology, energy, biotechnology and life sciences, professional services, and even space. Our diversity is unmatched, with strengths spanning a spectrum of economic activity.

We must continue to support businesses of all sizes operating in Texas' historically strong industries and foster our new and emerging industries. Texas' network of entrepreneurs, small and mid-sized businesses, global Fortune 500 companies, and corporate headquarters create the foundation for our continuing economic success and drive Texas' impressive regional, statewide, and international growth.

Figure 6. Sectors by Location Quotient and Regional Competitive Effect, 2015-21¹¹



Sources: IMPLAN, Regions Industry Data, Texas and US, (2015-21); Consultant Analysis

INNOVATION AND ENTREPRENEURSHIP

Texas' innovators and entrepreneurs are essential to our economic growth and keep our state on the cutting edge.

Our state is a premier destination for innovation and entrepreneurship. Texas is outpacing the national average for new business application growth and is home to some of the nation's top higher education and research institutions. Our state's strong entrepreneurial spirit and leading research institutions place Texas at the forefront of innovation in a wide variety of globally significant industries. Our innovation and entrepreneurship resources, business-friendly environment, and commitment to research and development will ensure the pioneering spirit of Texas lives on for generations to come.

Texas' trailblazers shape the world.

Our state is known for doing things our own way, thinking outside the box, and driving innovation. Throughout our history, Texans have developed countless inventions and solutions that have applications across the globe.

Texas' pioneering legacy laid the foundation for our economic success over the last century, and Texas innovations have shaped the course of history. In 1866, Charles Goodnight developed the chuck wagon, an invention that accelerated settlement of the American West. In 1933, the Hughes Tool Company invented the rotary rock drill bit, spurring our nation's production of oil and gas. In 1958, Texas Instruments engineer Jack Kilby built the first microchip, which powered the computers that took astronauts to the moon and is still used in modern electronic devices.¹²

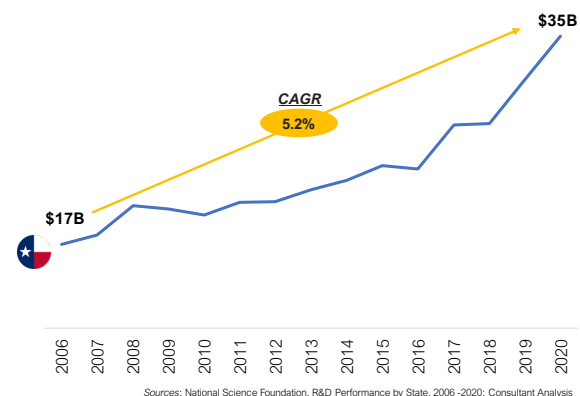
The trailblazing spirit that brought these Texas creations to life is carried on today through our vibrant communities, businesses, and industries. In a National Science Foundation survey, Texas ranks seventh among all states in share of companies reporting business or product innovations.¹³ Our state is among the nation's leaders in patents, with over 13,000 patents granted in 2020 — the second most of any state in the U.S.¹⁴

Texas' public and private sector entities are committed to research and development (R&D). Our state's R&D performance, which includes R&D activities conducted in Texas by federal and state agencies, businesses, universities, and non-profit

organizations, grew at an annual average rate of 5.2 percent per year from 2016 to 2020. Annual growth has been accelerating in recent years, as shown in Figure 7. Notably, Texas' R&D performance growth significantly outpaced that of the U.S. from 2019–2020, increasing by 11.9 percent compared to the nation's growth of 7.5 percent. Our R&D activity totaled roughly \$35 billion in 2020, placing us fifth among all states.¹⁵

The State of Texas is also dedicated to promoting innovation through research and development. For example, the state's R&D tax credit rewards companies investing in product development, the Governor's University Research Initiative provides matching grants to attract even more distinguished researchers to our leading universities, and the Texas University Fund allocates \$3.9 billion to novel research in Texas' universities.¹⁶ Continuing to support R&D will allow Texas to innovate and compete on a global scale.

Figure 7. Texas Total R&D Performance, 2006-20¹⁷



Texas' strong entrepreneurial spirit drives our economic leadership.

The Lone Star State is renowned for its business-friendly environment and deep commitment to free enterprise, which inspire Texans to solve problems and start businesses.

Texas has earned the “Best State for Business” ranking every year for nearly two decades.¹⁸ Our state's long legacy of freedom and independence, combined with our welcoming business climate, robust infrastructure, and diverse workforce make Texas a magnet for entrepreneurs across the globe.

Our economy is fueled by entrepreneurship. Over 99 percent of all Texas businesses, including 93 percent of exporters, are small businesses.^{19,20} Without our entrepreneurs, we would not be the economic powerhouse we are today.

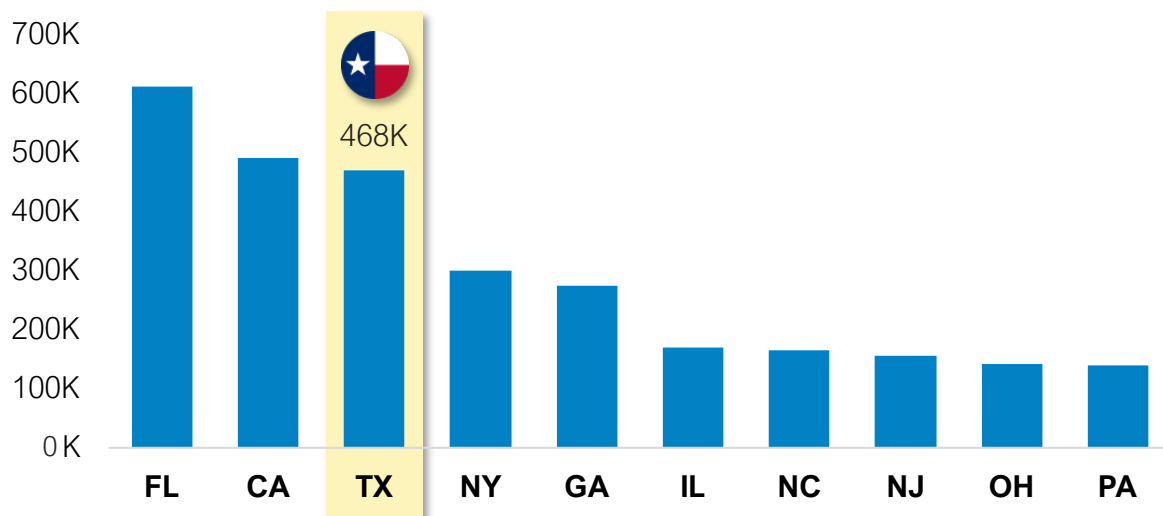
Texas is one of the top states in the nation for new business applications. As shown in Figure 8 below, our state accounted for over 467,000 applications

in 2022 alone.²¹ This figure is supported by years of momentum — new business applications in Texas grew by an annual average of 10 percent every year from 2015 to 2022.²² This growth can be attributed in part to Texans' enterprising spirit, but also to the entrepreneurs from around the world who are drawn to Texas.

Entrepreneurs choose Texas because our state provides businesses with the key ingredients they need to succeed: a diverse workforce, a business-friendly regulatory environment, access to global markets, a wealth of natural resources, and the freedom to grow.

Whether it is a manufacturing business looking for raw materials to build and distribute their product, an innovative software startup looking for highly skilled employees, or a new life sciences company seeking space to build a lab to exact specifications, Texas is uniquely positioned to offer entrepreneurs the tools and resources needed to succeed.

Figure 8. New Business Applications, 2022²³



Source: US Chamber of Commerce state business formation statistics, 2022

Texas' innovation and entrepreneurship environment puts us at the forefront of the future.

Our ability to solve problems and bring solutions to industries will continue driving our economic leadership as Texas gains even more prominence on the international stage. It is important that we continue supporting the pioneers who forge our state's future.

Innovation and entrepreneurship in Texas have led our state to new heights. As we look to the future, we know that our success will depend not only on our existing businesses and industries, but also on novel research, young companies, and industries that do not yet exist.

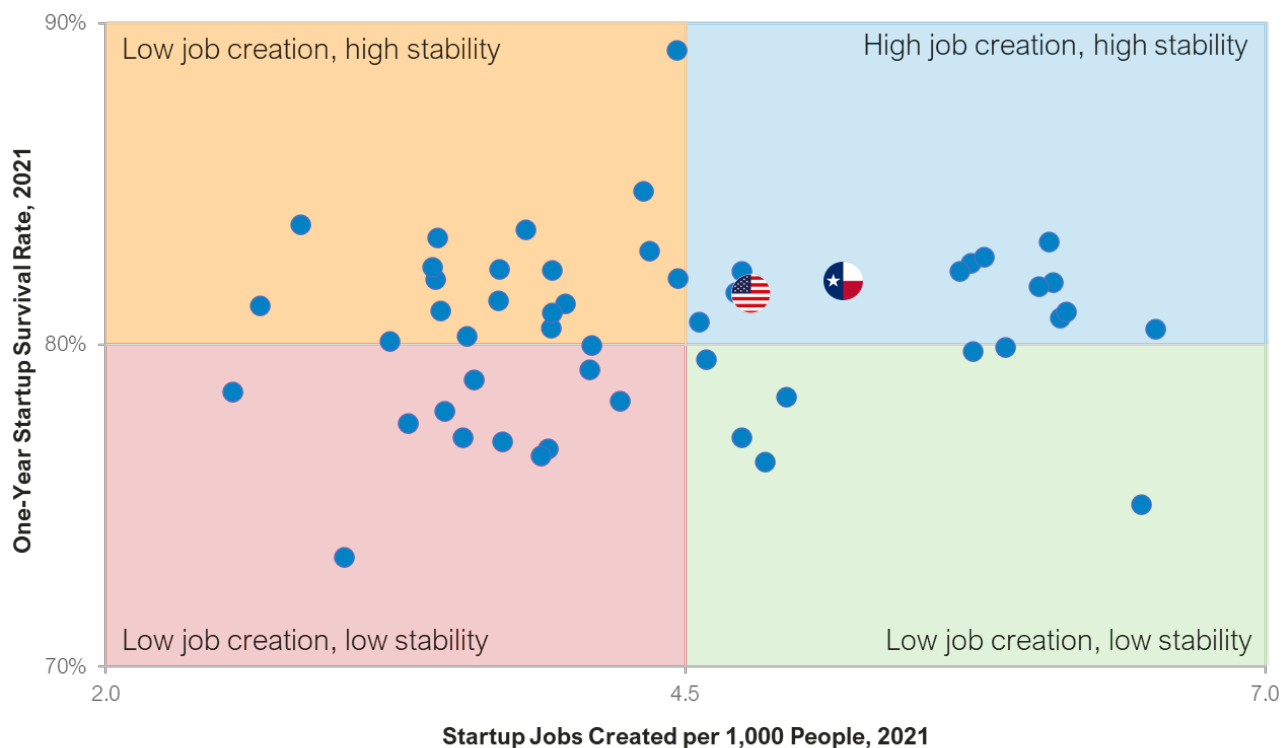
Innovation and entrepreneurship are supported by a broad range of resources in Texas. Our growing innovation and entrepreneurship ecosystem today includes hundreds of research institutions, funding

opportunities, incubators, mentorship programs, and other assets in every part of the state, with more assets being built every day.

This network of resources and programming helps startups in Texas not only survive but thrive. Figure 9 demonstrates how our supporting environment has bred economic success in Texas compared to other states (depicted in Figure 9 as blue dots) and the nation as a whole — we have outpaced the U.S. in both startup survival rate and per capita jobs created, indicating Texas startups are built to last.

By increasing awareness and access to the network of resources, we can ensure entrepreneurs and innovators have what they need to successfully turn an idea into a business. These risk-takers make up the backbone of our economy, and by supporting them, we support our state's' continued economic growth and success.

Figure 9. Startup Survival Rate vs. Job Creation by State, 2021²⁴



Sources: Kauffman State Report on Early-Stage Entrepreneurship, 2021, Table 1

WORKFORCE

The hardworking people of Texas are the lifeblood of our economy. Our young, skilled, diverse, and growing workforce finds opportunity of all types in Texas and brings the skills needed for businesses to thrive.

People born in Texas tend to stay in Texas. We have the lowest rate of native-born people leaving our state, making us the “stickiest” state in the nation. We are also a top state for in-migration. This population growth and retention supports and catalyzes our economic growth. Our state boasts a wide variety of opportunities for all Texans, who are supported by a robust workforce and education system working to meet the needs of Texas’ job creation efforts. This means that our workforce is poised to take on the jobs of our future and continue the Texas legacy for years to come.

People are choosing Texas.

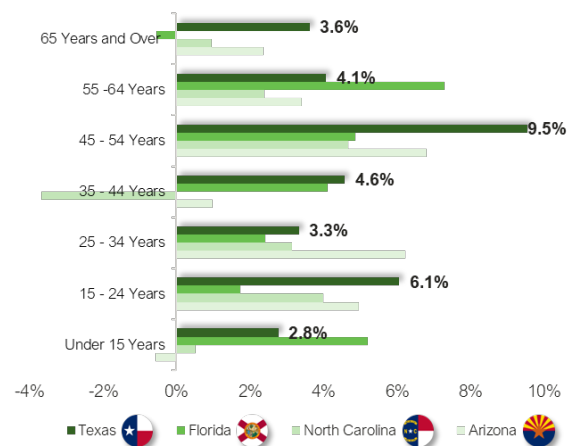
Our great state is an undeniable leader in talent attraction and retention. Residents are choosing to stay in Texas more than any other state.

Texas leads the nation in population growth.²⁵ Our population growth rate outpaced the nation from 2015–2021, indicating Texas is the top choice for people to live and work. This population expansion is the combined result of residents from other states and nations choosing to become Texans and native residents overwhelmingly choosing to stay here.

The influx of people to our state is concentrated in working age individuals, meaning our workforce is growing rapidly to support the growth of our businesses. As shown in Figure 10 to the right, the growth in Texas’ working age population outpaced that of the U.S. and peer states between 2015 and 2021. A young, growing, and diverse population provides a strong foundation for a healthy future workforce, and businesses looking to expand in our state know that they can depend on our labor force pipeline to support long-term growth.

People from across the United States are choosing to live and work in Texas. Between 2000 and 2022, domestic migration accounted for 29 percent of Texas’ population growth.²⁶ Texans saw an influx of over 100,000 Californians in 2022, the highest in-migration from any individual state.²⁷

Figure 10. Population Growth Above U.S. Average by Age Group, 2015-21²⁸



Source: US Census Bureau American Community Survey, Age and Sex Data, (2015-2022); Consultant Analysis

Not only do people choose to live in Texas — they also choose to stay. Texas is by far the “stickiest state” in the nation with 82 percent of native-born Texans in 2021 choosing to remain in Texas.²⁹ Texas also had the lowest rate of people leaving the state in 2021, with a 15 percent outmigration rate (among those who moved residences that year) for both native and non-native Texans.³⁰

Our ability to continue to attract and retain talent is critical to supporting our thriving regions and growing industries.

Texas provides opportunities for all.

There is something for everyone in Texas as our state offers diverse employment opportunities, spanning a wide array of jobs accessible with varying levels of educational attainment.

Employers across industries in Texas create a variety of job opportunities for Texans, and our diverse workforce lends their skills and expertise to businesses. Texas provides opportunities for all, spanning from healthcare practitioners to production workers and hospitality professionals. People with a wide array of educational backgrounds can take advantage of jobs in our state. Over 50 percent of occupations in the state today are typically held by individuals with a high school diploma or less, indicating that everyone has an opportunity to find a place in our workforce.³¹

Figure 11 below shows the distribution of wage and salary employment in Texas and maps each occupation to its typical educational attainment level. Wage and salary employment represents a subset of total employment that includes wage-earning or salaried employees and excludes proprietors (i.e., business owners and people who are self-employed). The typical level of educational attainment is mapped according to the type of

degree or certification held by the majority of individuals filling roles within that occupation in Texas. However, educational attainment levels held by individuals within an occupation may vary.

The critical importance of middle-skill jobs across industries has made them a crucial and growing portion of our labor market. Middle-skill jobs offer relatively high wages and opportunities for career progression without requiring a four-year degree, making these jobs attainable for a broader number of workers in Texas. In 2020, middle-skill jobs accounted for 56 percent of Texas' labor market, but only 42 percent of our workforce had middle-skill levels of training.³² Additionally, middle-skill jobs in science, technology, engineering, and math (STEM) fields are projected to increase by 24 percent to nearly 1.5 million workers in the next decade.³³ The growth of middle-skill jobs in Texas will create quality employment opportunities for Texans from a variety of backgrounds.

As Texas' economy grows, our businesses and industries will require more workers with a diverse and — evolving — set of skills. Texas is the land of opportunity, and continuing to create employment opportunities and help Texans prepare for and access the jobs of the future will be fundamental to our continuing economic success.

Figure 11. Texas Wage and Salary Employment by Occupation, 2021³⁴

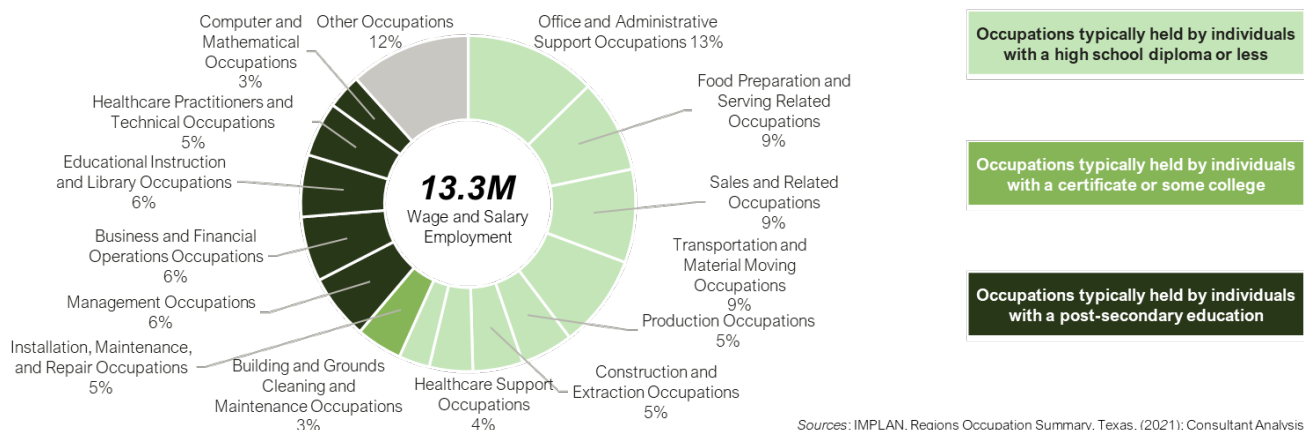
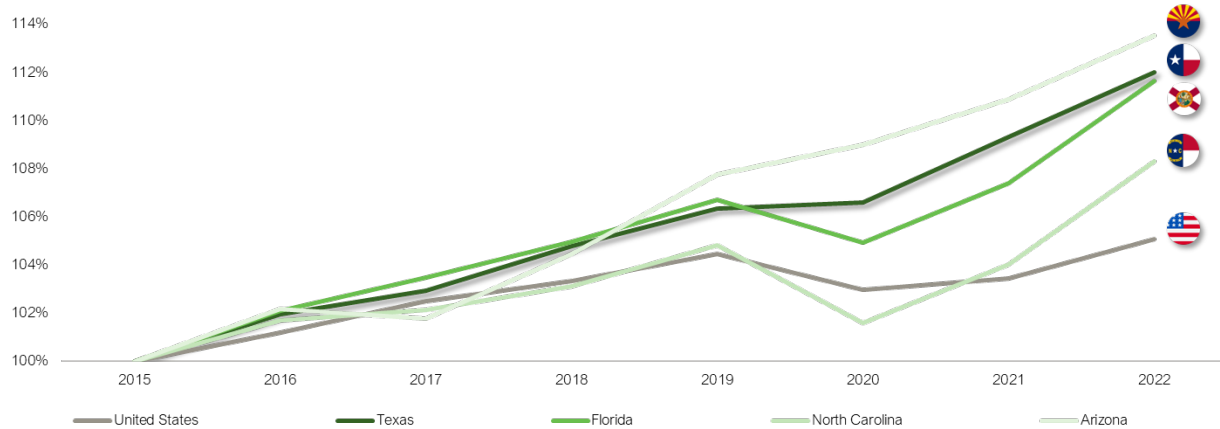


Figure 12. Labor Force Relative to 2015, 2015-22³⁵



Source: US Bureau of Labor Statistics, Annual Average Labor Force by County (2015-2022); Consultant Analysis

Texas' workforce development system is dedicated to helping our people thrive.

Our diverse educational and workforce institutions work together to support the development of all Texans for today and tomorrow.

Whether you are a high school senior navigating your post-secondary options or an older adult re-entering the workforce, Texas' workforce system aims to meet you where you are to help improve career outcomes. Our approach to continuing workforce development amplifies the strength and competitiveness of our growing talent pool and helps businesses find the workforce they need to succeed.

Texas' workforce development efforts are guided by the Texas Workforce Investment Council (TWIC), within the Texas Economic Development & Tourism Office, which produces the statewide workforce system strategic plan that facilitates alignment across all workforce system partners at the state and local levels.

TWIC partners with eight state agencies — the Texas Workforce Commission, Texas Higher Education Coordinating Board, Texas Education

Agency, Texas Department of Criminal Justice, Texas Juvenile Justice Department, Texas Veterans Commission, Texas Health and Human Services Commission, and Texas Economic Development & Tourism Office, as well as with the Texas Association of Workforce Boards — to promote and enable state-level coordination and collaboration among workforce programs across the state and at local levels.

In addition, the Tri-Agency Workforce Initiative — a collaborative effort of the Texas Higher Education Coordinating Board, Texas Education Agency, and Texas Workforce Commission established in 2016 by Governor Abbott — is charged with developing stronger links between education and industry in Texas, as well as implementing new legislation, with the goal of helping Texas continue to grow in economic prosperity.

Texas' workforce is among the strongest in the nation and will continue to be pivotal to our growth. Figure 12 above shows that the state's labor force, which includes employed and unemployed people, grew by 12 percent between 2015 and 2022. Texas' labor force is growing at a faster rate than many

other states and the national average. Our labor force is also growing at a faster rate than our overall population, indicating that more people are joining the labor force or moving to Texas to work.

As more people call our state home, we must continue to provide the resources needed today to advance our workforce and support the jobs to come tomorrow.

Many forward-looking workforce development efforts are already underway. For example, the passage of House Bill 8 in the 88th Legislative Session in Texas will help ensure our community colleges remain competitive through merit-based funding.

Having a nimble talent pool is more critical than ever as industries evolve rapidly. We must continue to evaluate how we can maintain our global competitive edge as shifting market landscapes change the demand for skills.

The continued development of Texas' workforce is a collaborative effort, requiring the involvement of our diverse educational and workforce ecosystem partners.

To build an even bigger, better Texas, we will continue to work together to anticipate business needs, evaluate workforce trends, and identify the programming and initiatives that will enable Texans to develop the skills and training they need to succeed in regions across the state.



Governor's Small Business Summit — Weslaco



Governor's Small Business Summit — McAllen



Governor's Small Business Summit — Pampa



Governor's Small Business Summit — Galveston

INFRASTRUCTURE

Texas relies on a vast and connected network of infrastructure and transportation systems to link our communities, support international trade, and make our state a top destination for businesses and tourists alike.

Texas truly is the gateway to global trade for the nation. By land, air, and sea, robust infrastructure and transportation systems connect Texas communities with each other, neighboring states, and the world. Rapid population and industry growth in Texas is increasing the demand for water, power, roadways, broadband, and other key infrastructure components. As Texas' communities and businesses boom, capacity must be prepared to accommodate growth and ensure we continue to lead the nation for years to come.

Texas is the nation's gateway for global trade and travel.

Our state is centrally located and equipped with one of the most robust infrastructure networks in the nation. We connect industries and people to markets and destinations across the U.S. and throughout the world.

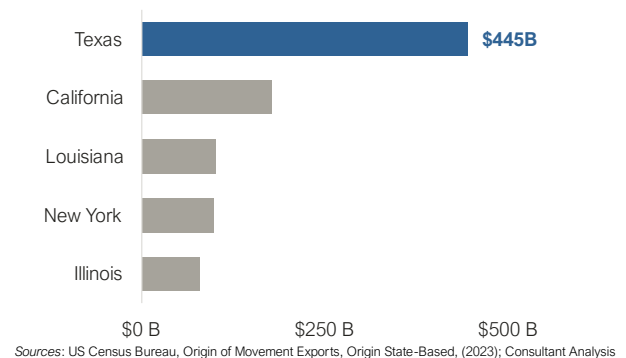
Texas' infrastructure enables our businesses and people to work, play, and make connections across the globe. Our extensive network of infrastructure and transportation systems includes 314,600 miles of public roads, 10,500 miles of freight rail, 380 airports (including 26 commercial airports), 19 seaports (including 11 deepwater ports), 32 ports of entry, and now 35 Foreign Trade Zones.³⁶ Texas airports provide direct domestic flights to 47 states and territories and international flights to 44 countries.³⁷ Millions rely on our transportation infrastructure to visit Texas every year, generating over \$91 billion in travel spending in 2022 alone.³⁸ With this robust collection of rail, road, air, and sea infrastructure, Texas serves as a critical connector between the United States and the rest of the world.

Figure 13. Texas Highway and Road Miles



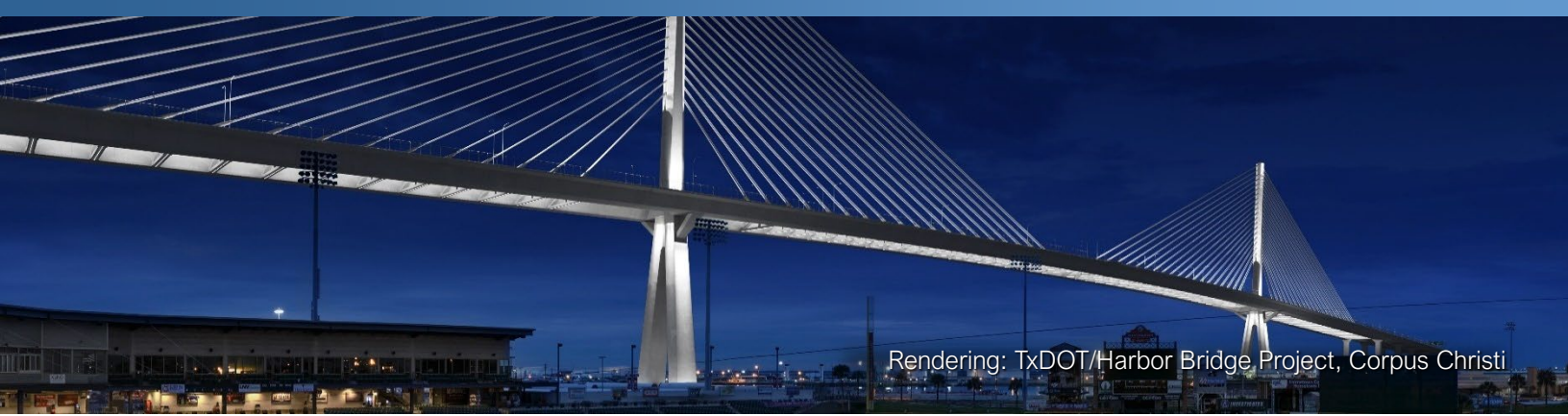
Texas moves more exports than any other state in the nation. As shown in Figure 14 below, around \$445 billion of international exports originated in Texas in 2023, more than double the value of goods exported from California in the same year. Our network of transportation infrastructure enables businesses to easily connect with global markets.

Figure 14. Top 5 States by Movement of Exports, 2023³⁹



Our infrastructure is also a key enabler of travel and tourism. Port Galveston is the fourth-busiest port in North America, serving over 1.7 million cruise passengers per year.⁴⁰ Texas is also home to six of the busiest airports in the nation, which create opportunities for tourists to visit and for Texans to travel across the globe.

The worldwide connectivity created by Texas' robust network of transportation infrastructure is critical for our continued economic success — the movement of both goods and people builds the foundation for our state's presence on the international stage.



Rendering: TxDOT/Harbor Bridge Project, Corpus Christi

Texas' robust infrastructure has enabled our state's historic economic growth.

Texas understands infrastructure's importance to the economic vibrancy of the state and promotes investment focused on resiliency.

Texas' utilities like water, power, and broadband contribute to a high quality of life, and our airways, railways, roadways, and waterways enable the movement of goods and people. Without this high-functioning infrastructure system connecting our businesses and population with utilities and transportation resources, Texas would not be home to such a robust economy.

Texas has experienced remarkable growth in recent years. We gained over 9 million new Texas residents over the last two decades, meaning our population grew by approximately 43 percent.⁴¹ From 2001 to 2021, Texas' GDP grew by over 68 percent.⁴² This rapid growth has been supported by robust critical infrastructure and affordable utilities.

Continuing strategic investments in our critical infrastructure will help ensure our state can further grow and flourish.

To foster strong and ongoing growth, Texas must continue advancing and adapting our infrastructure.

Texas' foundation is strong, but population and economic growth in the coming years may strain existing resources. We should continue to improve critical infrastructure to meet increasing consumer and commercial demand and foster growth.

Rapid growth in Texas is increasing the demand for resources. As Texas' businesses, industries, and communities continue to advance and expand, our infrastructure systems must meet increasing demand.

If current migration patterns remain unchanged, the Texas Demographic Center projects that our state's population will grow by more than 12 percent over the next 10 years.⁴³ This population growth is expected to be coupled with industry expansion resulting in the increased demand for industry activities like manufacturing, raw material processing, data services, and transportation and warehousing. To meet the rapidly increasing needs of communities and industries, we should continue advancing and adapting our infrastructure. Our capacity to provide water, power, broadband, and efficient transportation for people and businesses will be critical to supporting anticipated growth.

Our state will work together to usher in the next generation of infrastructure, invest in our future, and pave the way for a bigger, better Texas for decades to come.